



**Issue 13**

May, 2017

**Egypt Trade Balance**  
**Situation and Outlook**



## Introduction

**Q1** What is the History of Exports and Imports in Egypt?

**Q2** What are the Major Imports and Exports?

**Q3** What is the Current Status of Egypt Trade Balance?

**Q4** What are the Future Prospects of Trade Balance?

## Conclusion



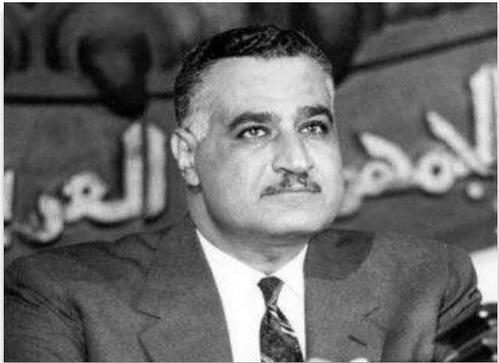
Egypt trade balance is characterized by consistent deficit. The trade balance is highly dependent on oil exports, which is a major source of foreign income along with tourism receipts.

As the country is implementing an economic reform program, the market has witnessed difficulties with imports as the government has introduced a number of restrictions. For instance, the Ministry of Trade and Industry issued a decree that imposes a mandatory obligation on factories looking to import their product into the Egyptian market. In 2016, several restrictions have been imposed, yet it is worthy to mention that there has been a retreat in trade deficit in Q1-2016/2017 by 46%.





- During **Mohamed Ali era** (1805-1848), foreign trade was the prime driver of the economy, and local prices were close to those in Europe due to the increase in exports and imports, particularly with the progress made in transportation.
- Egypt during Mohamed Ali Era witnessed **food self-sufficiency** for the first time. Egypt exported its surplus rice and wheat, together with that of corn and beans, to meet the needs of factories and the army.
- Egypt exported **cotton** to Europe in exchange for the import of machinery and expertise.

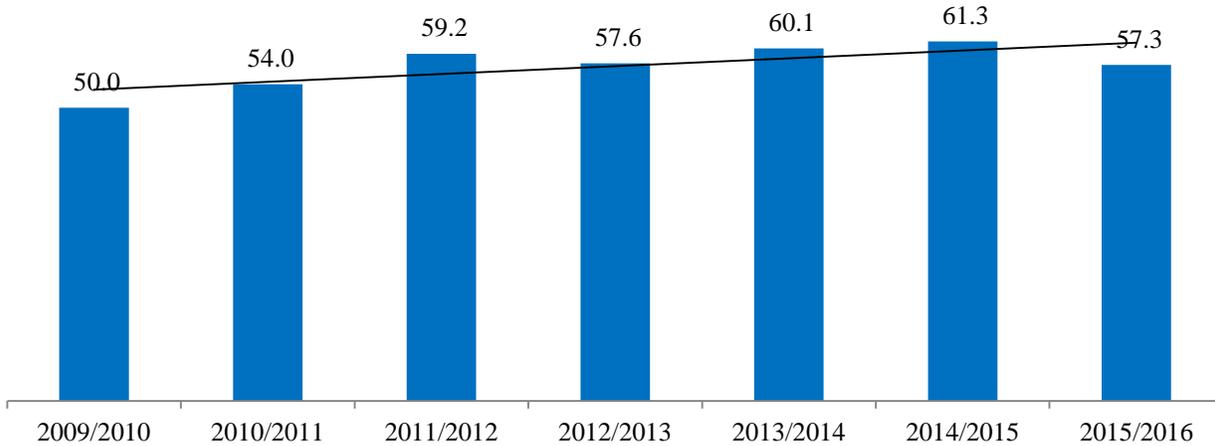


- **The value of imports in Egypt** used to be equal to about one-third and exports about one-tenth of GDP. Since the **World War II**, exports have tended to fall short compared to imports. The trade deficit was particularly sizable during Nasser era and between from 1960 to 1965 as expenditure on development increased, reaching a peak in 1966.
- **After the 1973 war**, there was a dedicated effort to restrict imports and stimulate exports, but this effort didn't meet the expected results.

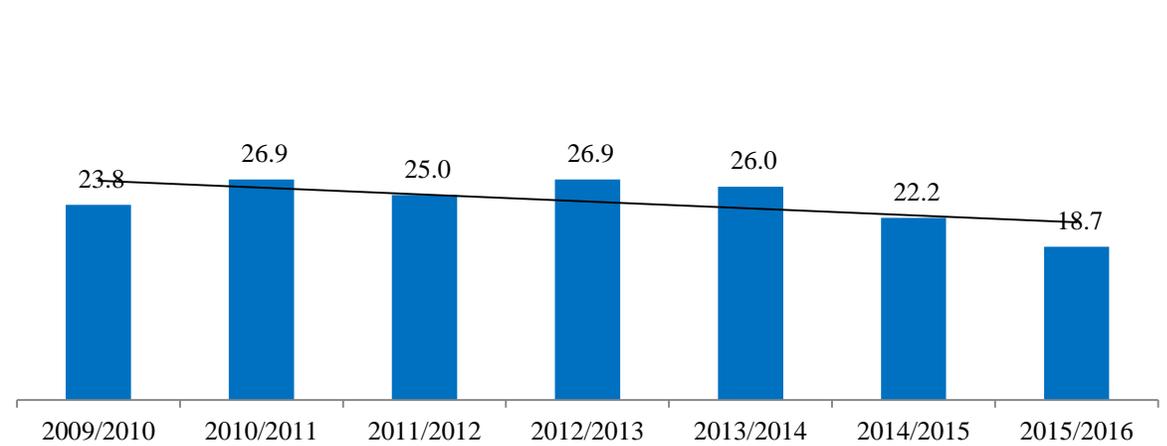
**The trade deficit** increased to record high levels in the early and mid-1980s, largely because of the decline in revenue from petroleum exports and the increase in food imports. These problems have persisted in the early **21<sup>st</sup> century**. The large trade deficit was partially offset by transfers from abroad, such as aid from Western governments and remittances from Egyptians working in other countries.



**Total Imports (2009-2016) BN/USD**



**Total Exports (2009-2016) BN/USD**

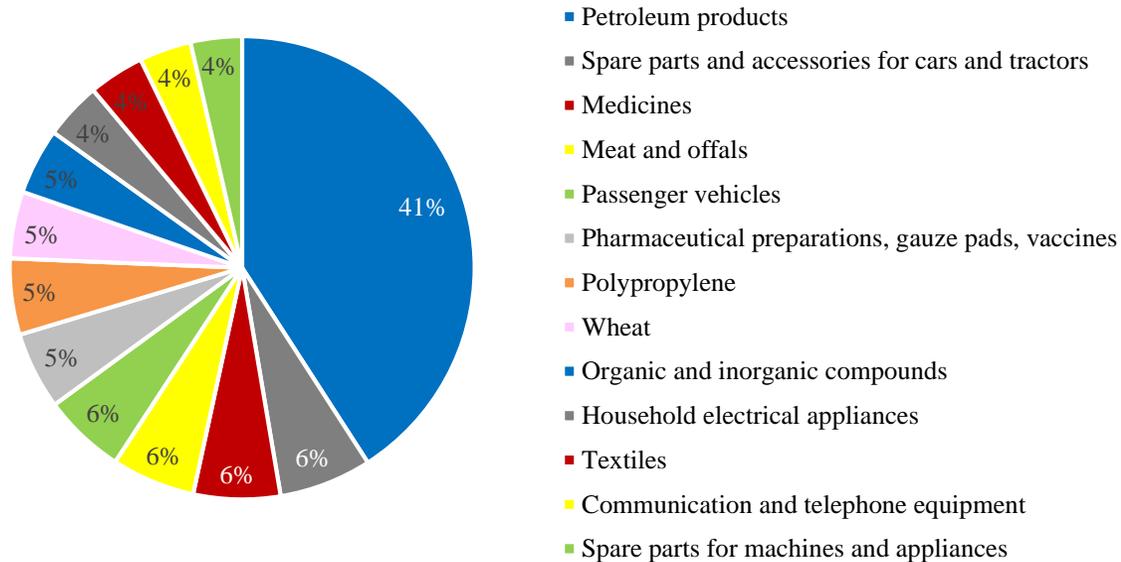


- Egypt total imports have declined by **6%** in 2015/2016 reaching **57.3 BN USD** compared to **61.3 BN USD** in 2014/2016.
- It is worthy to mention that the largest level of imports was in **2014/2015**.
- In addition, total exports have also declined by **16%** in 2015/2016 reaching **18.7 BN USD** compared to **22.2 BN USD** in 2014/2015.
- The largest level of exports was in 2007/2008 reaching **29.8 BN USD**.
- Egypt exports has reached **5.2 BN USD** in Q1-2016/2017, while imports has reached **13.9 BN USD** in the same period.

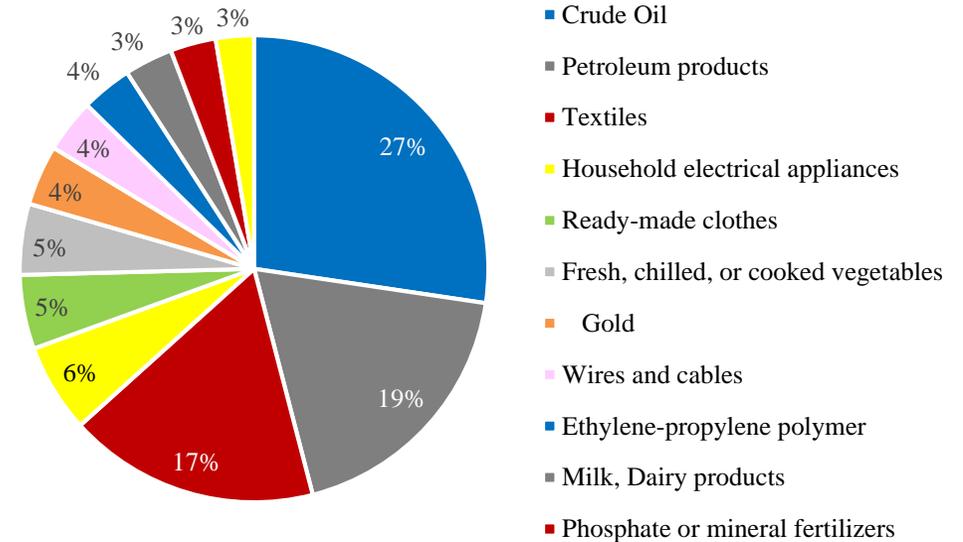


### Commodities

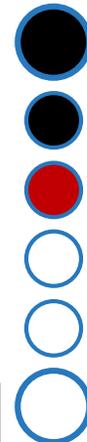
#### Imports by Commodity (Q1-2016/2017)



#### Exports by Commodity (Q1-2016/2017)



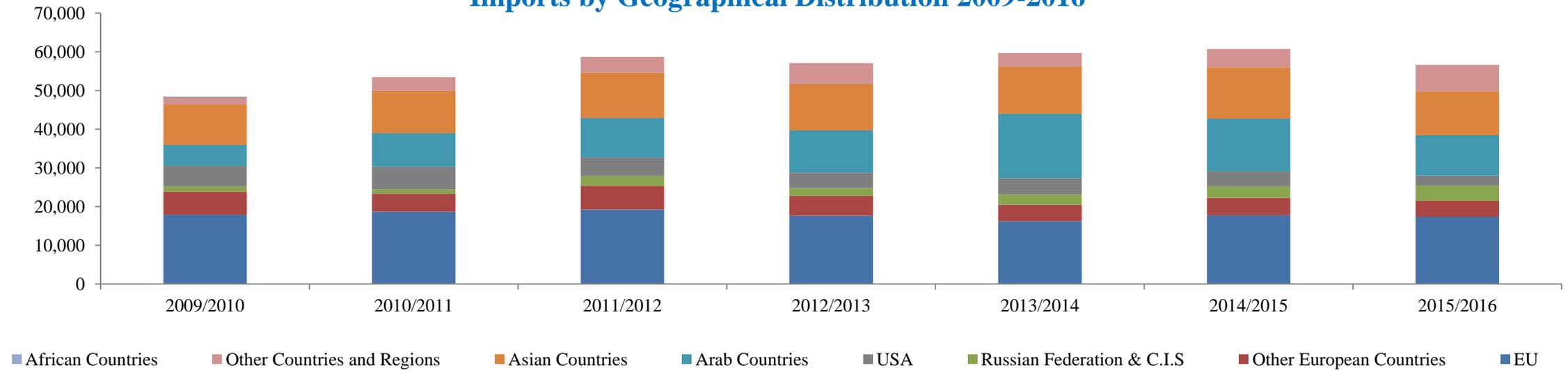
- The category that Egypt imports the most is **petroleum products**, and the region with most active imports is the **European Union**. On the other hand, the product that Egypt exports the most is **crude oil** with heavy levels directed to European Union.
- EU imports of goods from Egypt in 2016 are dominated by **fuel and mining products**, followed by chemicals and textiles and clothing. EU exports to Egypt consist mainly of **machinery and transport equipment**, chemicals, fuels and mining products and agricultural products.



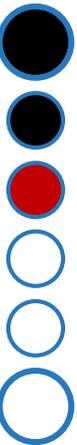
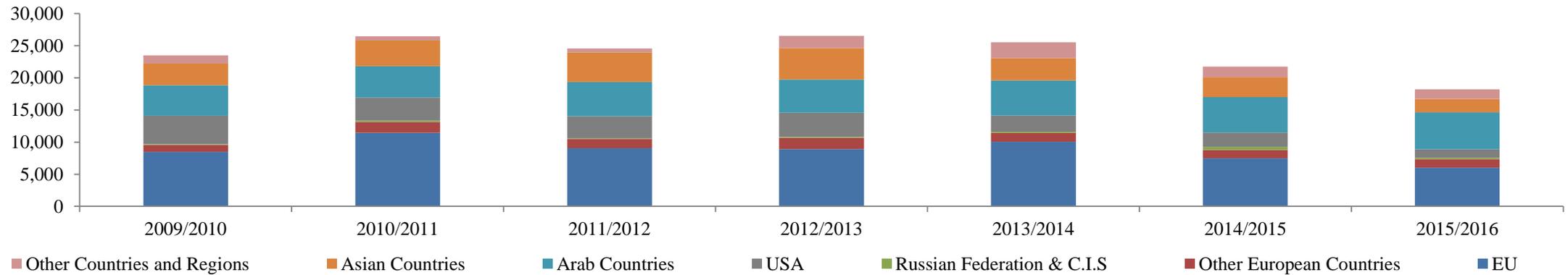
## Question 2

### Countries

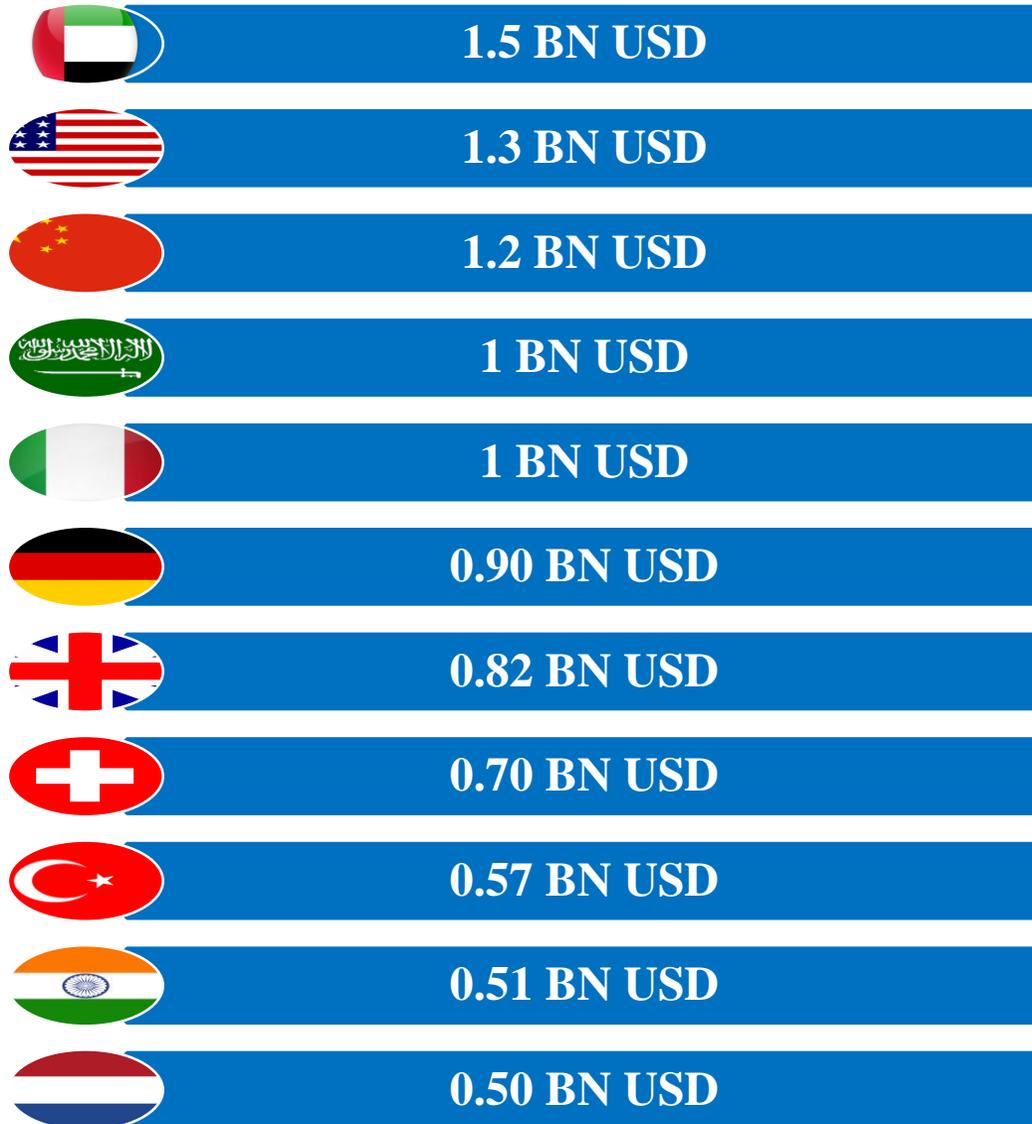
#### Imports by Geographical Distribution 2009-2016



#### Exports by Geographical Distribution 2005-2016



### *Volume of Trade*



The EU is traditionally Egypt's main trading partner, covering 31.3% of Egypt's trade volume in 2016 and ranked both as Egypt's first import and export partner.





➤ Egypt has signed several bilateral agreements with Arab Countries: **Jordan** (December 1999), **Lebanon** (March 1999), **Libya** (January 1991), **Morocco** (April 1999), **Syria** (December 1991), and **Tunisia** (March 1999). Additionally, in 1995, Egypt and **China** entered into a trade accord. Egypt also signed an economic treaty with **Russia**.

➤ In **June 2001**, Egypt signed an Association Agreement with the **European Union** (EU) which entered into force in 2004. The agreement provided for immediate **duty free access** of Egyptian products into EU markets. In **2010**, Egypt and the EU completed an **agricultural** annex to their FTA, liberalizing trade in over **90%** of agricultural goods.



## Egypt & US

- Before September **1994**, the two major bilateral trade agreements between Egypt and the United States were a **Market Access Agreement for Textiles and Clothing** signed in **1973** and the **Bilateral Investment Treaty** signed in September **1982**. The signing of the U.S.-Egyptian Partnership for Economic Growth and Development in September **1994** was an important milestone in the two countries' relationship.
- United States and Egypt advance bilateral trade and investment agreement; Two-way goods trade between the United States and Egypt was valued **9.1 BN USD** during 2010, an increase of more than **30%** compared to 2009.

- Egypt signed the Common Market for East and South Africa (COMESA) agreement in **1998**. Application of **customs exemptions** on imports from other member countries.
- Egypt, Kenya, Sudan, Mauritius, Zambia, Zimbabwe, Djibouti, Malawi, Madagascar, Rwanda, and Burundi grant goods and products having COMESA certificates of origin have full exemption from customs duties and any other duties and charges having equivalent effect.

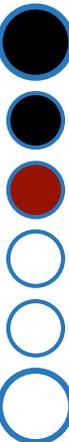
- The Agadir Agreement was signed by Egypt, Morocco, Tunisia and Jordan in **2004**.
- All the **industrial and agriculture** products are exempted from the entire tariff and the non-tariff measures as soon as the agreement is into effect.



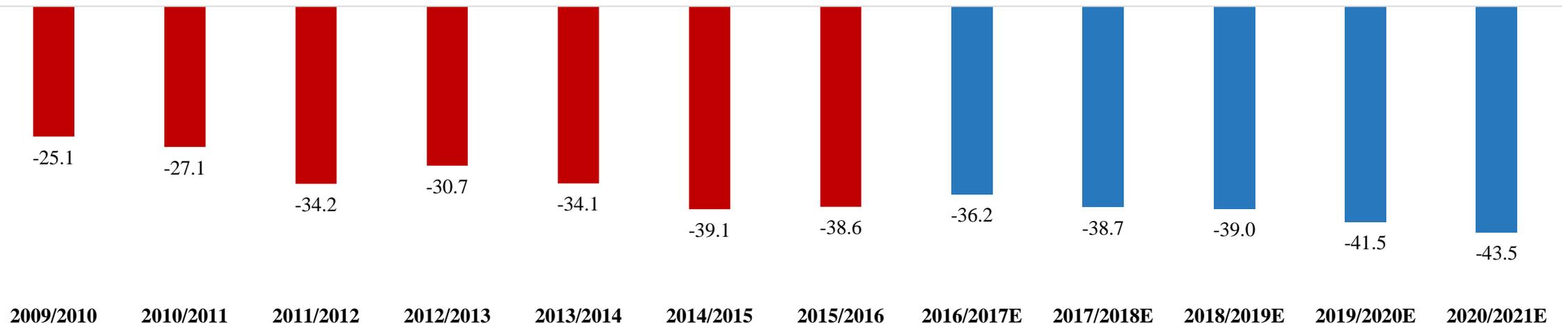
The Arab Mediterranean Free Trade Agreement



Agadir Technical Unit



Trade Balance (BN USD) (2009-2020E)



- Egypt is facing a trade deficit as shown in the chart above. Egypt trade deficit has increased in 2015/2016, but according to the IMF, it is expected to decrease from **38.6 BN USD** in 2016 to **36.2 BN USD** in 2017.
- Egypt trade deficit has declined by **46%** in Q1-2017 reaching **8.6 BN USD** compared to **12.3 BN USD** in Q1-2016. This decline can be attributed to the efforts of import reductions and substitutions as part of the comprehensive economic reform program.

The Egyptian government has taken action to decrease the imports and increase the exports since **2017**. This decision was taken due to the currency crisis.



- Egypt plans to import 108 cargoes of liquefied natural gas (LNG) this year as the country prepares to start producing at two gas fields and move closer to its goal of self-sufficiency and even exports by 2019. It is worthy to mention that Egypt was the net exporter of LNG until 2014, when declining output and power shortages resulting from political upheaval forced the country to divert fuel for its own use and turned the most populous Arab nations into a net importer.
- Egypt started to export limited amounts of LNG from the Idku plant in September 2016 to keep equipment at the terminal running, and it plans to run the facility on the Mediterranean coast at full capacity for export in 2021.
- Egypt will start exporting gas in 2019. Gas exports will bring much needed foreign cash to Egypt.

The country has been suffering a chronic economic problem related to the trade balance evident through consistent deficit level. Since the 25<sup>th</sup> revolution the pound has been facing considerable pressure due to the gap between the exports and imports. Later, the devaluation of the pound had an impact on increasing the exports and decreasing the imports, which is evident by the recent drop in the trade deficit by 46%. However, the sustainability of the deficit decline is greatly dependent on the import substitution efforts, the gas fields, and the implementation of the economic reform program components collectively.



**THANK YOU  
THE END**

**Cairo Office**

Zepter Building:  
Building S5-6, Area 5  
District 1, 5th Settlement  
New Cairo, Egypt  
P.O. Box: 11477

Research Department Contact:  
[research@multiplesgroup.com](mailto:research@multiplesgroup.com)

**Dubai Office**

Office No. N 415  
North Tower, Emirates  
Financial Towers, DIFC  
P.O. Box: 506726  
Dubai, UAE.  
Tel: +97143518187

